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national farmers union

In Union is Strength

Submission

to the

Canada. Parliament

House of Commons

Standing Committee on Agriculture

[Submissions]

on the subject of

Bill C-50

Amendments to the Agricultural Stabilization Act

Ottawa, Canada,

April 10, 1975.

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Amendments to the Agricultural Stabilization Act

Ottawa, Canada,

April 10, 1975

1. We welcome the opportunity of appearing before your committee at this time to discuss amendments proposed to the Agricultural Stabilization Act.

2. The amendments notwithstanding, the preamble to the Act with its stated objectives remains undisturbed. In part, it states the purpose of the Act to be:

> "...for the purpose of stabilizing the prices of agricultural commodities in order to assist the industry of agriculture to realize *fair returns to labour and investment* and to maintain a fair relationship between prices received by farmers and the costs of goods and services that they buy, thus to provide farmers with a fair share of the national income."

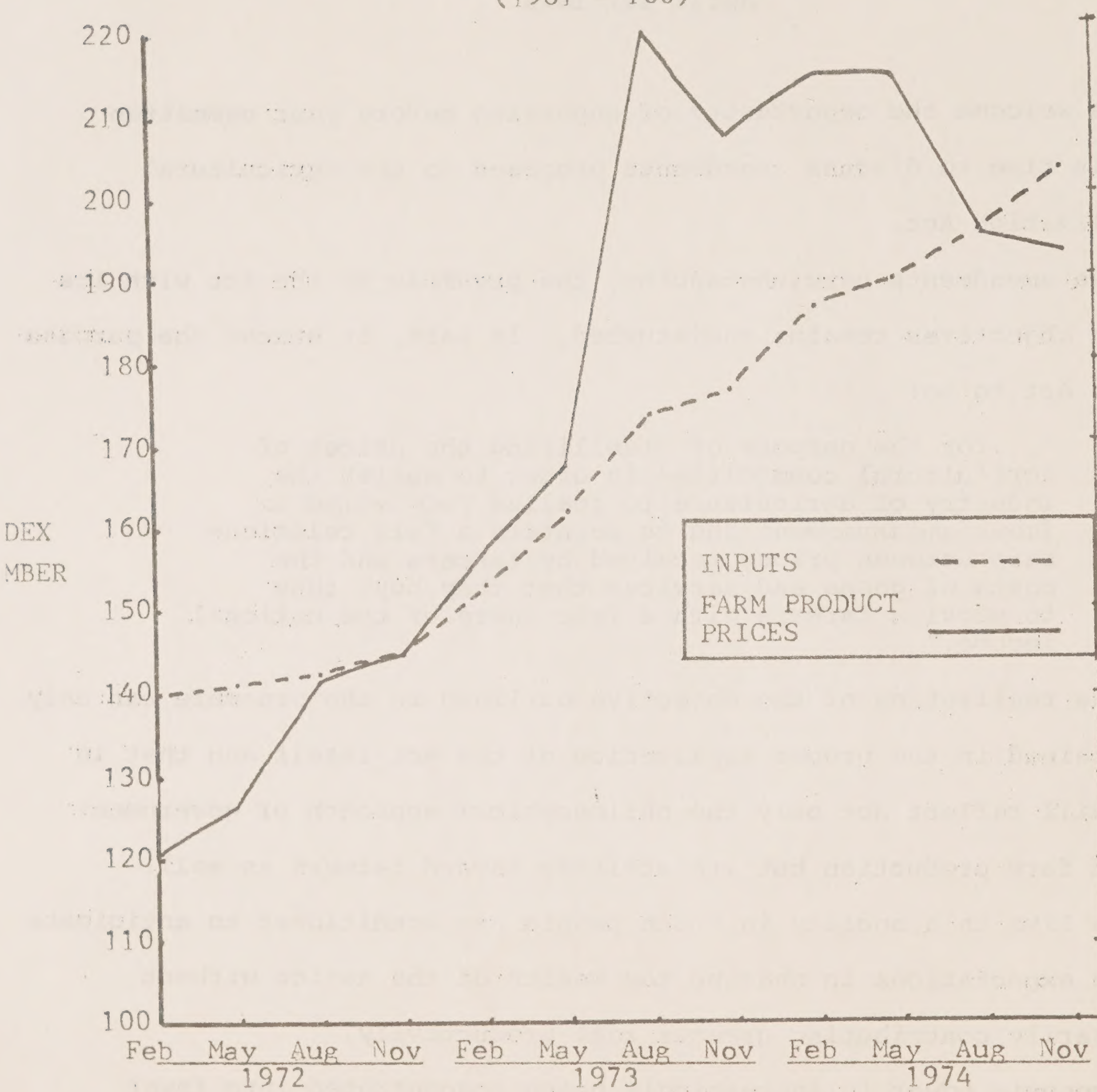
3. The realization of the objective outlined in the preamble can only be attained in the proper application of the Act itself and that in turn will reflect not only the philosophical approach of government toward farm production but its attitude toward farmers as well.

4. We live in a society in which people are conditioned to anticipate rising expectations in sharing the wealth of the nation without necessarily contributing greater real productivity.

5. Economic power is increasingly being concentrated into fewer hands and a growing number of important fiscal decisions are being made outside the control of government.

1-A

FARM INPUT PRICE INDEX AND THE INDEX OF FARM PRICES OF AGRICULTURAL PRODUCTS: 1972 - 1974
(1961 = 100)



6. Inflation is running rampant in the face of deepening recession and declining economic growth reflecting a growing contradication in the way a market economy is theoretically supposed to react under the given circumstances.

7. Government, for its part, recognizes increased farm productivity as a necessary measure in combatting inflation. Little positive response is evident in other sectors of the economy. More abundant food supplies in a market economy are inevitably followed by lower farm prices and probable declines in the consumer food price index.

8. For farmers, however, the realities of the situation are much clearer. While the index of farm prices has receded rapidly in recent months for most commodities, they face in the wake of the so-called "price readjustment" the continuing prospect of unprecedented higher costs of production. (page opposite)

9. Prices for some farm products are now to be stabilized to reflect a prescribed price level of not less than 90% of the previous five-year average and then only on the basis of an annual average.

10. Who, we ask, in our present society, is prepared to accept as a criterion a guarantee for wages, salaries or prices for manufactured goods equivalent to an annual average of 90% of the past five years?

11. The Agricultural Stabilization Act is generally regarded as having failed in adequately stabilizing farm prices, incomes and production. But we submit the shortcomings in stabilizing farm prices, incomes and production is not necessarily because the legislation has been at fault but rather that *the application of the Act itself has been deficient.*

12. What guarantee is there in the proposed amendments that will radically change the situation in stabilizing farm prices, income and production from that which has been permitted to exist under the legislation as currently on the statutes?

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12. What guarantee is there in the proposed amendments that will radically change the situation in stabilizing farm prices, income and production from that which has been permitted to exist under the legislation as currently on the statutes?

13. We submit there will be *basically no fundamental change to farm prices, income and production stability* in the amended version of the Act than there was prior to amendment and that the amendments to the Act may in fact contribute toward further fragmentation of what could have been a meaningful national farm price, income and production policy for Canada.

A CASE HISTORY

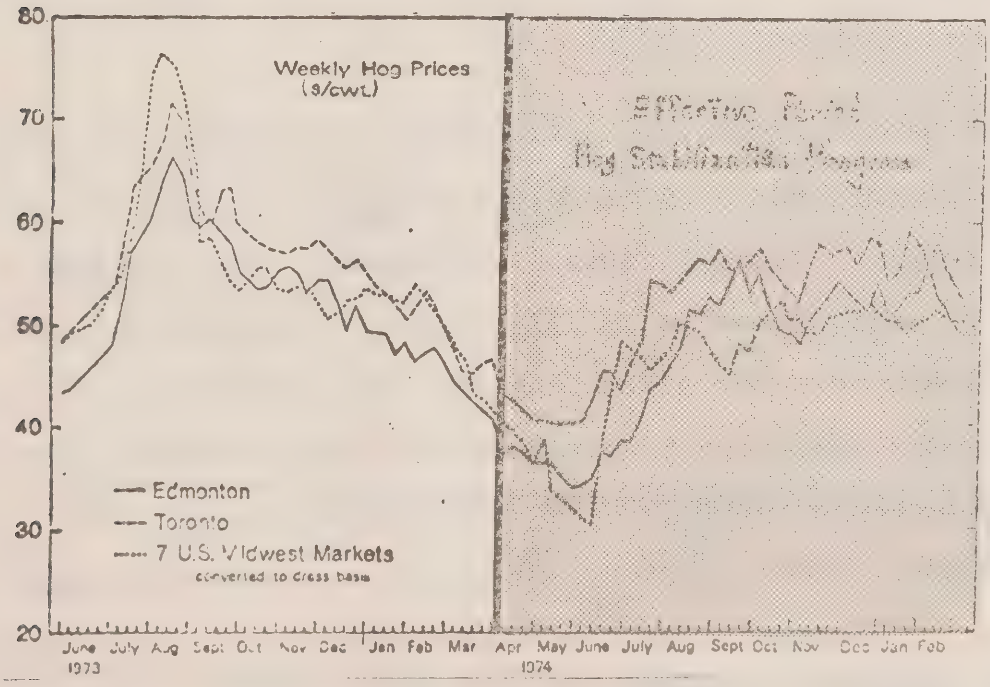
14. The proposed amendments to the Agricultural Stabilization Act have, speaking technically, been illegally in operation for hogs in Canada for over a year and it is therefore possible to assess what, if anything, the benefits from the program have been for hog producers.
15. On May 22, 1974, Agriculture Minister Eugene Whelan announced a national hog stabilization plan for hogs which would cover all hogs marketed (up to 1500 per producer) between April 1, 1974 and March 31, 1975, and "based on a totally new stabilization concept for agricultural products," Mr. Whelan said.
16. The press release (reproduced as Appendix A) explained that the plan put into operation would guarantee farmers a margin of *$22.41 per hundredweight* of pork between the wholesale cost of feed and hog prices. This was to work out to a margin guarantee of *$37 per hog* with an 88 index or better, Mr. Whelan indicated.
17. The margin guarantee of *$22.41 per hundredweight* is based on the *five-year average of wholesale feed costs,* and the national average pork price for the same five-year period. The figure of $22.41, it was said, represented *90 per cent of the average margin of hog prices over feed costs during the five-year period.*
18. What will have been the results of this program in its first year of operation in stabilizing farm prices, income and production?
19. Agriculture Canada recently published a review of the Hog Stabilization Plan which ended on March 31st, 1975. To the end of February, federal government calculations showed a weighted margin of $28.36

per cwt. above feed cost.

Weighted hog price	\$49.15/cwt. dressed pork
Feed grain cost	\$20.79/cwt. dressed pork
Margin	\$28.36/cwt. dressed pork

20. In the first eleven months of the program there were three months that showed a margin above feed cost that was below the \$22.41 stabilization level. These months were April, May and June last year when the national margin above feed cost was \$21.62, \$17.98 and \$10.56. Considering feed and hog prices, it is safe to conclude that there will be no payment required under this program in its first year of operation.

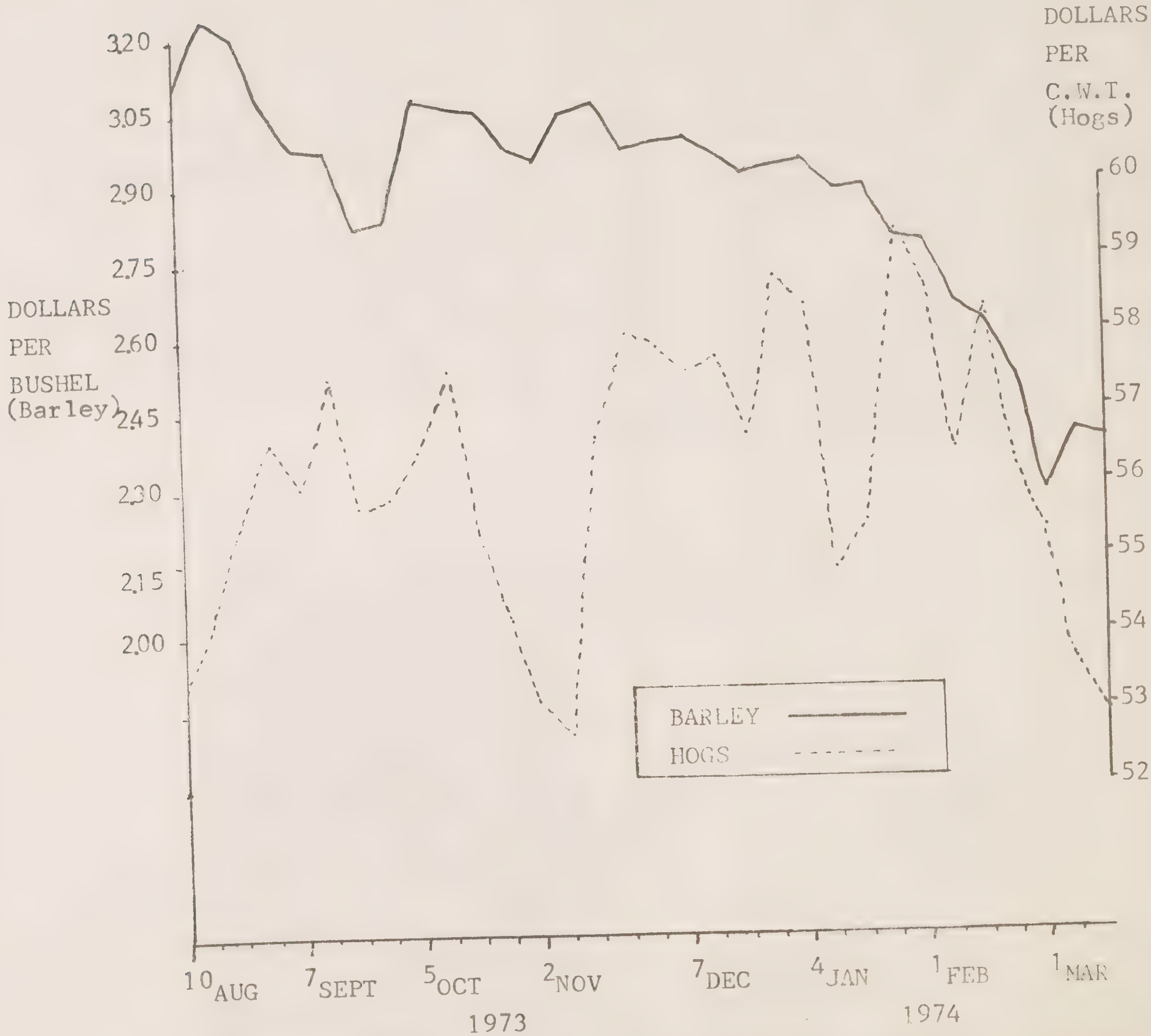
21. Did the program stabilize prices? *Absolutely not!* As a matter of fact price fluctuations continued throughout the operation of the program and thousands of individual farmers were caught in the traditional rise and fall of daily marketing fluctuations.



WEEKLY AVERAGE PRICE OF INDEX 100 DRESSED HOGS - TORONTO

AND

WEEKLY AVERAGE PRICE OF #1 FEED BARLEY ON THE WINNIPEG COMMODITY EXCHANGE



Sources: Canadian Livestock And Meat Trade Report, Agriculture Canada.

Grain Statistics Weekly, Canadian Grains Commission.

22. Has the program provided producers with the confidence they need to stay in business and expand production in an orderly manner as an Agricultural Stabilization Board press release of July 12 stated in glowing terms? (Appendix A) *Definitely not!* Farrowings in the January to July '75 period are projected *to decline by 17% nationally* according to Statistics Canada.

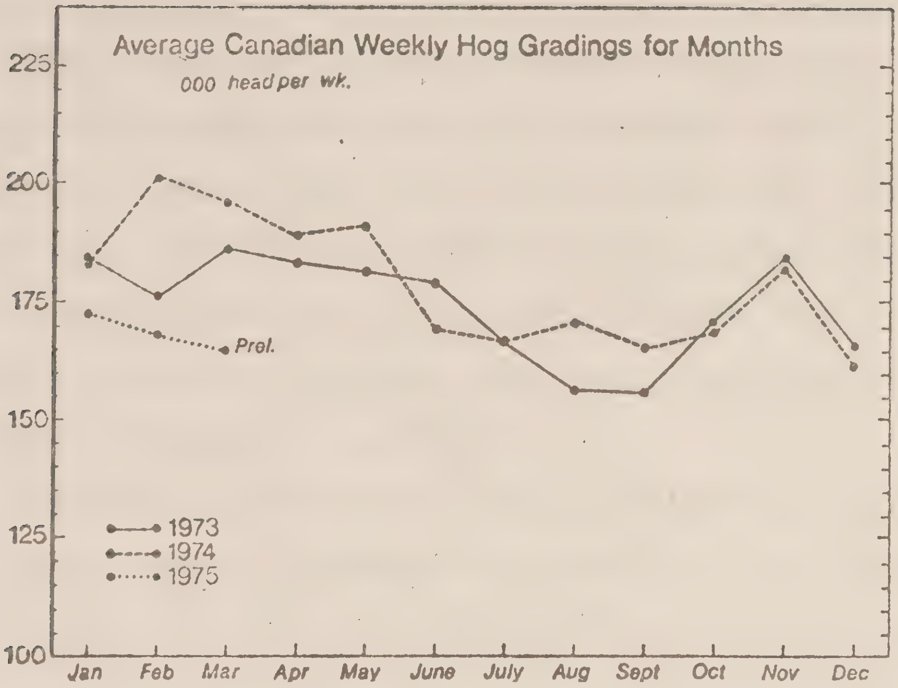
Canada January 1 Hog Survey
('000 Head)

	Total Pigs		3 Months +		Under 3 Months	
Canada	5,865.0	-16%	2,978.2	-14%	2,213.5	-18%
East	3,319.0	-9%	1,671.5	-7%	1,251.0	-12%
West	2,546.0	-24%	1,306.7	-22%	962.5	-25%

	Sows & Gilts kept for Breeding		Pig Crop June-December 1974	Farrowing Intentions January to July 1975
Canada	618.0	-17%	-16%	-17%
East	368.0	-10%	-12%	-9%
West	250.0	-26%	-22%	-26%

SOURCE: Statistics Canada

23. It is predictable that with lower farrowings in the first half of 1975, hog prices will once again climb in the last half of the year. However, with feed prices currently lower than one year ago, the stabilization plan for hogs will be as meaningless in the coming year as it has been in the past year since the cost index factor supposedly being used may revise downward the stabilization price level. (See chart on page opposite.) *The stated objective of the program to stabilize our production to assure constant supply to the domestic market and rid ourselves of boom and bust cycles will not be realized.*



24. It seems obvious the hog stabilization program of the past year has not had the desired effect of stabilizing hog production, prices or income this past year in spite of a so-called indexing system apparently built into the price determining mechanism.

25. There will be considerable analytical discussion directed toward the current decline in hog production which will include as reasons for the decline the current market alternatives for export grain, the U.S. embargo on pork imports and the short-run beef supply situation which has been used to reduce the effective consumer demand for pork.

26. While these factors may have had marginal influences, the most relevant factor in the continuing boom and bust situation in pork production is, in our view, *the absence of a positive public attitude* toward implementing an effective and meaningful producer oriented production and price stabilization policy.

27. It is an apparent case of government wishing to maintain as a sacred cow an antiquated market system strongly biased to favour the processing and retail trade but which business itself regards as obsolete in its own selling operations. Why, then, should there be the expectation that farmers will be encouraged to invest growing amounts of high cost risk capital and stabilize production for the perpetuation of such a system? This kind of archaic policy approach is no longer adequate in our view.

28. The philosophical attitude expressed toward the objectives of the hog stabilization program as outlined in a July 12 press release entitled "Concerns on Hog Plan Clarified" (Appendix A) is contradictory to other statements that the plan is to provide "producers with confidence to stay in business". ("Consumer Implications" - July 12 press release, Appendix A).

29. Commenting on the common concern that the Plan would not guarantee producers a profit, the A.S.B. replies:

> "It was never intended to! The plan is intended to be a stop-loss program. This is in line with the position of the Canadian Pork Council. The Council also suggested that the program 'not be at an incentive level,' because it would not be reasonable to encourage production at a time when marketings are out-running demand."

30. *In other words, the A.S.B. is talking about stabilizing losses, not prices, income or production* and such losses would only be reconcilable on an *annual* basis. In this instance, losses experienced in April, May and June, 1974, *are borne by producers.*

31. Whose interest does the Canadian Pork Council profess to represent that government is so willing to endorse a form of conventional wisdom which perpetuates instability?

32. The A.S.B. debunks quarterly averages as a basis for payment predicting "serious disruption in marketing patterns as producers

attempted to change their marketing plans in order to ensure eligibility for quarterly payments."

33. *That kind of statement reflects an adversary attitude toward farmers and reveals a strong industry-oriented bias* rather than concern for farm price and income. How long can a farmer carry over a market ready hog without risking grade losses?

34. Why, we submit, should a producer not be *guaranteed a profit on every hog he produces up to the upper limit established irrespective of when it's ready for market?* Perhaps it's really a case of government not being able to trust industry not to abuse and manipulate the public market to an even greater extent than it presently does.

35. The A.S.B. in its press release commented on a concern that "regional disparities in production cost and market returns" were not recognized. It defended the principle of making identical payments across Canada to all producers and stated: "In this way the plan will not alter any natural advantages or disadvantages that a region may have and will not encourage production in one region as opposed to another."

36. In *direct contradition* to this stated position the amendments (Clause 6, Section 10.1) propose to enter into separate agreements where "provinces or producers or provinces and producers desire a greater prescribed price for an agricultural commodity than is otherwise provided by this Act."

37. *It is a proposal that encourages the balkanization of the price stabilization policy, undermines a national approach to stabilization* and in fact *encourages regional disparity.* It is a blatant admission to the inadequacies that continue to exist in the Act and acknowledges that this country will continue to lack a comprehensive national farm production, price and income stabilization policy.

38. The calculations by the A.S.B. in the indexing formula of R.O.P. performance in feed conversion and wholesale feed prices (for conversion and wholesale feed prices (for convenience sake) flies in the teeth of reality. It is what farmers have come to expect from bureaucratic economic theorists. It undermines their confidence in government programs and contributes toward their cynicism when urged by politicians to expand their production even when this may be demanded by a consideration such as the world food shortage.

THE BEEF PROGRAM

39. We are now in the midst of a *beef stabilization program* announced last August 2 and operational in a fiscal period of one year ending August 11, 1975.

40. Announcements of the plan state that it gives beef producers a guaranteed price support of $45.42 per hundredweight basis A1 and A2 animals at Toronto, Calgary and Winnipeg. If at the end of the 12-month period ending August 11 the national average price for A1 and A2 steers and heifers weighted for volumes of sales at these markets is below $45.42/cwt. the federal government will make a direct payment to producers on eligible cattle - which an August 29 press release explains will include payments on "all eligible A, B and C cattle".

41. However, in order to become "eligible" the annual weighted average for A1, 2 steers and heifers at the three principle markets must fall below $45.42/cwt.

42. In the first seven months of this program the average weighted price for beef was $45.56/cwt. with both January and February recording below the national stabilization figure of $45.42/cwt at $42.69/cwt. and $37.87/cwt. respectively. Will beef producers who have suffered recent serious market losses recover any of these losses from the Stabilization program? No one knows.

Agricultural Stabilization Beef Program

	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Nationally Weighted Beef Price	48.36	48.24	47.74	48.38	46.61	42.69	37.87

Source: Canada Livestock and Meat Trade Report, Vol.56, No. 11, Mar. 20/75

43. That is because the beef stabilization program too is largely a numbers game.

44. Consider for example the following facts:

a) Since August, average monthly heifer prices on the Calgary and Winnipeg markets have *never* been above the support level of $45.42 and only in October, November and December on the Toronto market.

Average Monthly Prices, Slaughter Steers and Heifers

August 1974 - February 1975

	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Calgary							
Steers	49.01	48.68	47.75	50.35	48.44	43.11	37.12
Heifers	40.62	43.64	42.97	43.19	40.42	36.34	34.80
Winnipeg							
Steers	52.07	49.77	47.78	50.25	48.20	44.27	38.26
Heifers	40.11	41.75	42.37	42.11	40.13	36.79	34.23
Toronto							
Steers	52.77	51.91	49.88	53.32	50.97	48.45	41.58
Heifers	43.93	46.50	45.89	47.10	43.14	40.52	38.04

Source: Canada Livestock and Meat Trade Reports.

The stabilization program will do nothing to correct the extremely wide and unjustified heifer price disparity that appears to have become a permanent phenomenon in 1974 and is continuing in 1975.

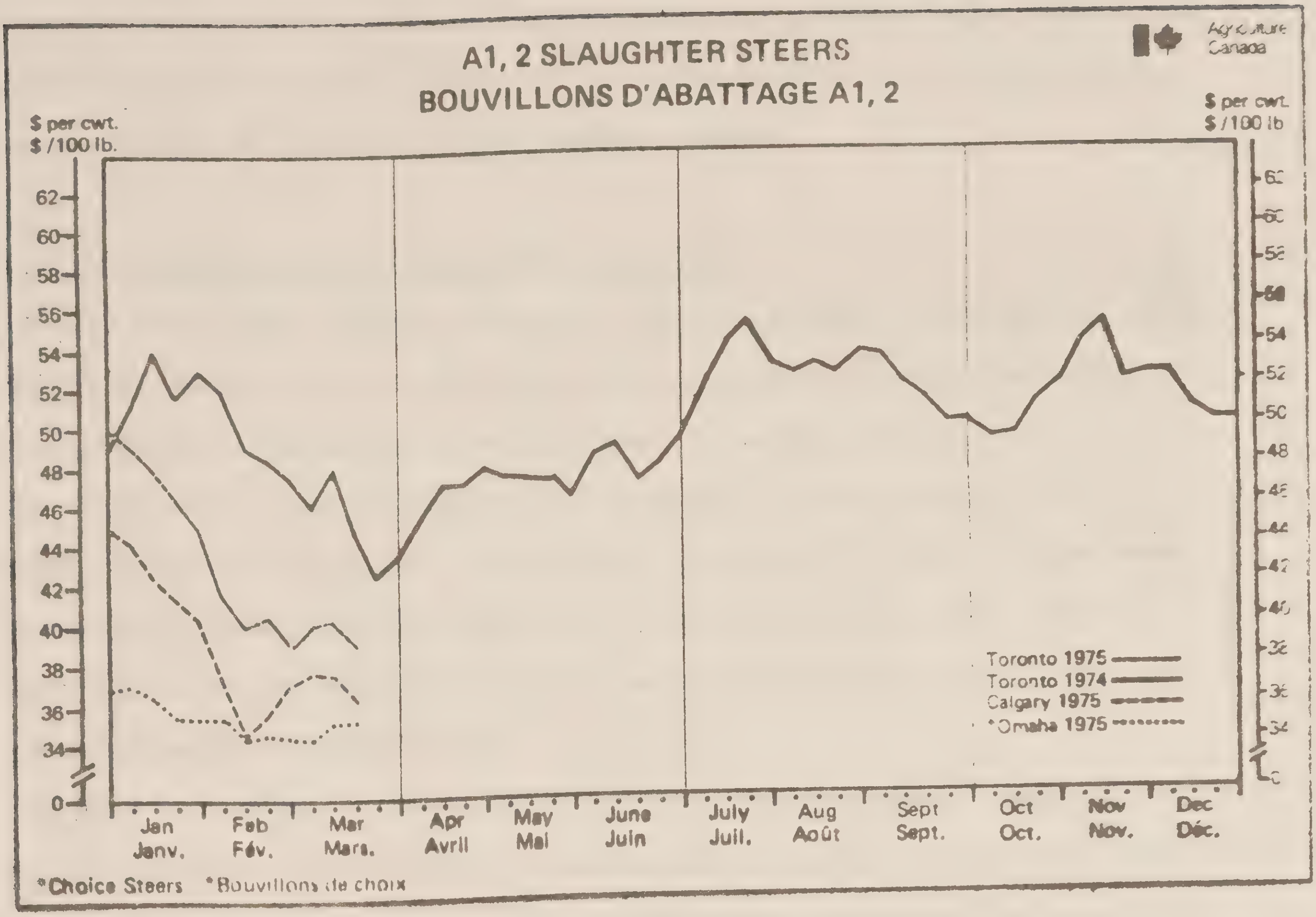
b) The Toronto market is traditionally the highest in the country, price-wise, for both steers and heifers and accounted for 57.7 per cent in the 3 markets of A1 and 2 steers and heifers in the first seven month period of the program. The weights favour Toronto since lower prices realized on 5 prairie markets are ignored. These account for 40.234 additional head bought at lower prices.

c) Heifers grading A1 and 2 accounted for 62,688 or 38.4% of the total seven month deliveries of 163,397 A1 and 2 cattle on these three markets. The Toronto market handled 63.5% of all A 1, 2 heifer marketings recorded on the three markets. Since the Toronto heifer price is from $3 to $5 higher than in Winnipeg or Calgary, the influence of low western prices on a national weighted average is less pronounced.

45. Considering the price pattern established in 1974 and the close similarity in price fluctuations occurring thus far in 1975, there is a strong possibility that producers who have already incurred heavy financial losses in marketings this past fall and winter will receive little or no price stabilization for steers and heifers at the conclusion of its first year of operation, August 11, 1975.

46. In respect to the November 16, 1974 to April 30, 1975 *slaughter cow stabilization program* it is self-evident that producers have suffered heavy financial losses. The $23.21/cwt. support price compares poorly with the $34.53/cwt. average realized in 1973.

47. As of the end of February the cow beef weighted price was $16.96. The deficiency payments that farmers will receive will, in many instances, result in averaged returns much less than $23.21/cwt. and will certainly not mean the difference between profit and loss. When the program ends April 30, they may again be left to the tender mercies of the trade.



48. The inescapable fact in the stabilization programs as we have reviewed them is that farmers, if they qualify for payments at all, will have suffered serious financial losses which in turn represent *direct transfusion of wealth from the farm sector to the industrial sector.*

49. Since the industrial sector has purchased farm products at prices that are less than the costs of production the amount of stabilization payments made by the government represents *only in part* the amount of the wealth transfer that has gone from the farm to the industrial sector and that government transfers back, from public funds, on behalf of the industrial sector. The net result is that both farmers and the government in this way subsi-

dize the industrial sector. Government's contribution to industry appears to be an attempt to assure that the greed of the industrial sector does not totally destroy the source of supply through its manipulation of the so-called market economy.

POLICY PROPOSALS FOR PRICE STABILIZATION

50. *The "cheap food" policy practiced by the policy makers of our country which results in cheap food at the farm gate has generated the present instability in food production and uncertainty among farmers as to their future.*

51. Only when national policy ensures that those engaged in the production of food shall be properly rewarded for their labor and investment will stability prevail. This means that the "market" approach must be discarded as the mechanism for regulation of food production and distribution.

52. The NFU believes that the so-called "market place" subject as it is to manipulation of price by speculators, corporations both national and international, and its vulnerability to political influence of governments not only in this country, but by governments of other countries through their trade policies, import controls, tariffs, manipulation of exchange rates, credit arrangements, etc., must be rejected as a regulator of food production and distribution.

53. *The private agribusiness community must be brought under strict public regulation to ensure that their activities become complementary to public purpose.*

54. *Futures trading and speculation in food commodities must be eliminated.*

55. *We recommend the establishment of national marketing authorities to regulate the production and marketing of farm products.* Because of the nature of the constitution of our country, agreements would have to be reached between the federal and provincial governments as to the role of provincial agencies supportive to the national authority.

56. Much of the present confusion on the subject of farm production and marketing in this country has stemmed from the contradictions between federal policies and programs, and the policies and programs of the various provincial governments. This confusion, it is proposed, will be perpetuated in the amendments.

57. There is a reluctance on the part of the federal government to develop and adopt positive and long-term goals for agriculture in this country and as a result, ad hoc policies are adopted from time to time to deal with crises when they occur. The effect of this approach is that many policies deal with the symptoms rather than the causes of the problem.

58. The current Maritime potato situation is a case in point. No sooner had the government stabilization program been announced than the trade drastically reduced its purchase price for potatoes from approximately $1.10/cwt. to 45¢/cwt. As a result the $1.67/cwt. payment being made by government will not benefit producers to the anticipated return of $2.77/cwt. announced by Agriculture Minister Whelan on March 27. It is robbery in the crudest sense of the word.

59. Complementary to the establishment of governmental authorities to regulate the production and marketing of farm products, *legislation is required to make provision for, and guarantee the right of farmers to collectively bargain* with such agencies as to the terms and conditions under which food would be produced and marketed so that such blatant rip-offs and raw economic violence as are now being directed against Maritime potato producers can be adequately controlled.

60. Certainly the current A.S.A. and its proposed amendments provide for no meaningful farmer input into this vital area.

61. Formula indexing for all the major cost components is required to establish an adequate price stabilization plan. The current

amendments leave the prescribing of an index formula to the discretion of the Governor in Council (Clause 3, Section 82 (a) (a) and (b).)

62. There should in our view be a set of cost indexes devised for each commodity which will reflect *current costs of production* and which are readily known and understood by farmers.

63. *A formula indexing all the major cost components* is required to establish an adequate price stabilization plan.

64. *The base price should be established at a given date on actual costs of production in each region* and support prices automatically adjusted quarterly to reflect changes in the indices. Payments out of the stabilization fund would be automatically triggered when market prices fall below the indexed price.

65. *Price stabilization programs should be funded from contributions by both federal and provincial governments and producers.*

66. When market prices for a commodity decline below the cost of production, the producers would draw out of the fund the difference between the market price and the formula price.

67. In the event that the fund should become depleted, federal and provincial governments would share in either interest-free loans, or outright grants to the fund.

68. Acceptance of price stabilization programs for farm products which assure producers the full cost of production including a return to labor and investment cannot be considered in isolation from supply management.

69. National policy would have to dictate overall production targets, and market sharing agreements between provinces would need to be negotiated.

70. *Price stabilization programs should be designed to support a maximum number of efficient production units.* There would need to be *limits established on*

the scale of production for which any one producer would qualify for price support. *Under no circumstances would price support quotas be negotiable.*

71. National production targets, market sharing between provinces and between producers, cost of production indexes and indexing formulae would all be natural areas for collective bargaining between the National Farmers Union and Federal and Provincial Governments.

72. Referring specifically to the proposed amendments before this Committee, it is our view that *potatoes should be included as a named commodity.*

73. We request further clarification on the intent of application of Section 9 (fl).

74. In conclusion, while we believe the proposed amendments for price stabilization present a marginal improvement over the Act as it currently exists, it does not conform to our policies respecting the need for a comprehensive price stabilization program.

75. The Act will continue to adhere to an obsolete market economy for the establishment of farm product prices and *will limit its role to stabilizing the level of losses rather than farm income, prices and production.*

76. The final assessment of its worth to farmers will be reflected in its application by those in government who continue to wield the power in determining the level of prices to which the Act will be committed.

77. On the basis of current performance there is considerable room for improvement in this area.

78. We believe under the circumstances it would be useful for this committee to hold public hearings throughout the country prior to passage of these amendments in order that producers themselves may meet the committee and further acquaint it with their anxieties and views on stabilization.

79. Hopefully as a result of such hearings and additional insights the Committee might give additional consideration toward substantially strengthening the Act and underlying philosophy.

All of which is respectfully submitted by
THE NATIONAL FARMERS UNION.

APPENDIX A

Subject: HOG STABILIZATION PLAN ANNOUNCED

OTTAWA, May 22, 1974 -- A national hog stabilization plan was unveiled by Agriculture Minister Eugene Whelan in Ottawa today.

The plan, which will cover all hogs marketed between April 1, 1974, and March 31, 1975, is based on a totally new stabilization concept for agricultural products, Mr. Whelan said.

"We are stabilizing the margin between feed costs and hog prices, but without interfering with either the price of feed or the price of pork.

"The market will be free to follow its normal course, based on supply and demand, but pork producers will be able to plan production with renewed confidence because there will be a guaranteed minimum margin.

"It is essential that producers be given this confidence at this time because they are caught in a squeeze between rising feed costs and falling hog prices.

"If pork producers are forced into bankruptcy by this squeeze, production will fall to the point where prices hit a sudden reversal, and consumers face a sudden and steep increase in retail prices," Mr. Whelan said.

The plan that has been put into operation will guarantee farmers a margin of $22.41 per hundredweight of pork between the wholesale cost of feed (grain and protein) and hog prices.

"Because the average carcass weighs 165 pounds, this works out to a margin guarantee of $37 per hog," Mr. Whelan said.

The margin guarantee of $22.41 per hundredweight is based on the five-year average of wholesale feed costs, leading up to April 1 this year, and the national average pork price for the same five-year

period. The figure of $22.41 represents 90 per cent of the average margin of hog prices over feed costs during the five-year period.

Deficiency payments to producers will be based on all hogs which index 88 or better under the federal hog grading program, up to a maximum of 1,500 hogs per farm.

To ensure eligibility, producers should retain proof of sale of their market hogs; such as hog carcass grading certificates. The payment per hog will be calculated next April 1, when the government can determine the actual margin achieved during the year, and how much it falls short of the guaranteed margin of $22.41 per hundredweight.

Hog producers who participate in a multiple-owner operation will be eligible to submit individual claims.

The federal will be independent of any programs which provincial governments may wish to operate.

"Farmers have been searching for a much better form of price and income stabilization for many years," Mr. Whelan said, "and we think this new concept of stabilizing margins is a fresh idea that will work well to protect the interests of both producers and consumers.

"On the one hand, it will give pork producers enough confidence to stay in business, but the margin guarantee will not be so high that producers can ignore market demand and prices. Pork producers will have to employ the top-notch management and skill to turn a reasonable profit at this margin, so pork production won't become a welfare haven for people who can't make a go of any other line of business," Mr. Whelan said.

"On the other hand, the consumer will enjoy the lower prices that naturally occur in times of surplus production, such as we are experiencing right now. We also hope that consumption will

increase in response to these bargain prices, and help to clear the market," Mr. Whelan added.

"If hog prices drop any further, consumer pork prices should go down, but the farmer will be protected because the federal subsidy will increase to guarantee the margin," Mr. Whelan said.

The pork stabilization plan is an interim measure, which will be operated by the Agricultural Stabilization Board, but a similar concept could be applied as an ongoing program, Mr. Whelan said. He went on to say that work would continue with the industry to develop an ongoing program best designed to suit their needs.

CONCERNS ON HOG PLAN CLARIFIED

OTTAWA, July 12, 1974 -- The Agricultural Stabilization Board gives the following response to concerns expressed about the federal government's new hog stabilization plan.

The plan covers all hogs indexing 88 or above marketed between April 1, 1974, and March 31, 1975, up to 1,500 hogs per farm. It guarantees producers a minimum margin of $22.41 per hundredweight between the wholesale cost of feed grain and hog prices on a national basis.

Following are the six most commonly heard concerns:

1. The Hog Stabilization Plan will not guarantee producers a profit. It was never intended to! The plan is intended to be a stop-loss program. This is in line with the position of the Canadian Pork Council. The Council also suggested that the program "not be at an incentive level", because it would not be reasonable to encourage production at a time when marketings are outrunning demand. A guaranteed profit plan would do just that. The plan gives producers the confidence to stay in business but the guaranteed margin is not at a level which will allow producers to ignore market supply and demand

conditions.

2. The support program should be calculated on a quarterly basis instead of over one year. The program is not intended to cover short-term market losses which can and do occur in any business, agricultural or otherwise. The program is intended as a stop-loss program to prevent long-term losses caused by factors beyond the hog industry's control and detrimental to the long-term interests of the producer.

Normally, livestock producers plan their operations on a yearly basis and it is therefore logical to calculate the hog stabilization payment on a yearly basis. In addition, quarterly averages could lead to serious disruption in marketing patterns as producers attempted to change their marketing plans in order to ensure eligibility for quarterly payments. Thus on a rising market, producers could tend to lump their marketings at the end of a quarter while on a falling market the opposite might happen.

3. Regional disparities in production cost and market returns are not recognized. This is a national plan but a plan which recognizes regional differences in production costs and returns by weighting these costs and returns across the country according to each region's proportion of the total Canadian hog slaughter. Any payments made to producers under the plan will be identical across Canada. In this way the plan will not alter any natural advantages or disadvantages that a region may have and will not encourage production in one region as opposed to another.

4. The plan does not include the cost of producing weanling pigs and other costs. This is not correct. All costs are included in the guaranteed margin.

5. The support plan bases feed efficiency on that obtained under the ROP program; the ordinary producer cannot achieve this kind of

feed efficiency. The ROP feed and management program is not out of the reach of good farmers. The program is based on common sense practices that can be and are adopted by serious hog producers in Canada. In any event differences between actual feed conversion figures of any producer and the ROP figures are no doubt about the same as they were in the base period and thus are recognized in the guaranteed margin.

6. Feed calculations are based on wholesale prices and not on retail prepared feed prices. This discriminates against the small producer who cannot buy in wholesale lots. Calculations are based on wholesale prices of feed grains because they are more reliable indicators of feed costs than are retail prices which vary a great deal within regions as well as from one region to another. If retail prices were used as a base, the guaranteed margin would be reduced correspondingly, because the margin is the difference between the average of the actual prices received by producers in the base years and the wholesale cost of feed during the same period.

The A.S.B. reminds producers that grading slips or other proof of sale and slaughter should be retained by farmers to be used at the end of the support period if a payment is declared. Complete details on claiming procedures along with claim forms will be made available at that time.

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